

ORIGINAL

OPEN MEETING



0000142538

MEMORANDUM

RECEIVED

2013 FEB 25 A 11:37

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 25, 2013

RE: TUCSON ELECTRIC POWER COMPANY. - APPLICATION FOR APPROVAL
OF REVISED PRICING PLAN RIDER-3, MARKET COST OF COMPARABLE
CONVENTIONAL GENERATION (DOCKET NO. E-01933A-13-0020)

Background

On February 1, 2013, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised Pricing Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to be used in conjunction with Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities. The last revision of Pricing Plan Rider-3 was approved by the Commission's Decision No. 73085 (April 5, 2012).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "final" bill, the Company credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to NM-PRS. Rider-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to Pricing Plan Rider-3 reflects a lower MCCCG and therefore decreases the avoided cost rate from 2.5854¢ per kWh to 2.524¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed TEP's hourly marginal costs that resulted in the 2.524¢ rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission

DOCKETED

FEB 25 2013

DOCKETED BY

Recommendations

Staff recommends that TEP's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of 2.524¢ per kWh should be effective as of April 1, 2013.

Staff further recommends that TEP file a Pricing Plan Rider-3 tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:sms\RMM

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP

Chairman

3 GARY PIERCE

Commissioner

4 BRENDA BURNS

Commissioner

5 BOB BURNS

Commissioner

6 SUSAN BITTER SMITH

Commissioner

7
8 IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01933A-13-0020
9 OF TUCSON ELECTRIC POWER) DECISION NO. _____
10 COMPANY. FOR APPROVAL OF REVISED) ORDER
11 PRICING PLAN RIDER-3, MARKET COST)
12 OF COMPARABLE CONVENTIONAL)
13 GENERATION)

14
15 Open Meeting
16 March 12 and 13, 2013
17 Phoenix, Arizona

18 BY THE COMMISSION:

19 **FINDINGS OF FACT**

20 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide
21 electric service as a public service corporation in the State of Arizona.

22 **Background**

23 2. On February 1, 2013, TEP filed an application for approval of its revised Pricing
24 Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to be used in
25 conjunction with Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service
26 ("NM-PRS").

27 3. TEP's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of
28 excess energy from Net Metering Facilities. The last revision of Pricing Plan Rider-3 was
29 approved by the Commission's Decision No. 73085 (April 5, 2012).

30 4. For Net Metering customers, each calendar year, for customer bills produced in
31 October (September usage) or for a customer's "final" bill, the Company credits the customer for

any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to NM-PRS. Rider-3 indicates that the MCCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

5. TEP's proposed revision to Pricing Plan Rider-3 reflects a lower MCCCCG and therefore decreases the avoided cost rate from 2.5854¢ per kWh to 2.524¢ per kWh for purchases of excess energy from Net Metering Facilities.

6. Staff has reviewed TEP's hourly marginal costs that resulted in the 2.524¢ rate and finds the data and calculations to be reasonable.

Recommendations

7. Staff has recommended that TEP's revised Pricing Plan Rider-3 (MCCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

8. Staff has further recommended that the avoided cost rate of 2.524¢ per kWh should be effective as of April 1, 2013.

9. Staff has further recommended that TEP file a Pricing Plan Rider-3 tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

...

4. The Commission, having reviewed the application and Staff's Memorandum dated February 25, 2013, concludes that the revised Pricing Plan Rider-3 should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Pricing Plan Rider-3 be and hereby is approved as discussed herein.

1 IT IS FURTHER ORDERED that the avoided cost rate of 2.524¢ per kWh shall be
2 effective as of April 1, 2013.

3 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a revised
4 tariff consistent with this Decision, with Docket Control as a compliance matter to this docket,
5 within 15 days of the effective date of this Decision.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
10 CHAIRMAN

COMMISSIONER

11
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13
14 IN WITNESS WHEREOF, I, Jodi Jerich, Executive Director
15 of the Arizona Corporation Commission, have hereunto, set
16 my hand and caused the official seal of this Commission to
17 be affixed at the Capitol, in the City of Phoenix, this
18 _____ day of _____, 2013.

19 _____
20 Jodi Jerich
EXECUTIVE DIRECTOR

21 DISSENT: _____

22
23 DISSENT: _____

24 SMO:JJP:sms
25
26
27
28

1 SERVICE LIST FOR: Tucson Electric Power

2 DOCKET NO. E-01933A-13-0020

3
4 Mr. Bradley S. Carroll
5 Tucson Electric Power Co.
6 88 East Broadway Blvd.
7 P.O. Box 711
8 Tucson, Arizona 85702

9 Mr. Steven M. Olea
10 Director, Utilities Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Ms. Janice M. Alward
15 Chief Counsel, Legal Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007
19
20
21
22
23
24
25
26
27
28